

Message Text

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PASS AGRICULTURE

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SUBJ: DANISH VIEWS ON EC PRICE PROPOSALS

1. SUMMARY.MAJOR DANISH FARM ORGANIZATIONS HAVE FORMALLY
PRESENTED THEIR VIEWS ON EC COMMISSION'S PRICE PROPOSALS FOR
1977/78 AND CORRELATED MEASURES IN PAPER ADDRESSED TO THE
PARLIAMENT'S MARKETING COMMITTEE AND THE MINISTER OF
AGRICULTURE. THE FARM ORGANIZATIONS CONSIDER COPA'S 7.4
PERCENT PROPOSAL MORE REALISTIC BASIS FOR NEGOTIATION THAN
COMMISSION'S 3 PERCENT PROPOSED INCREASE, IF THERE IS TO BE
CHANCE OF OBTAINING WEST GERMAN AND OTHER MEMBER ACCEPTANCE
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ON MORE IMPORTANT ISSUES FOR DANES -- THAT IS, A TIMETABLE
AND MECHANISM FOR ELIMINATION OF MONETARY COMPENSATORY
AMOUNTS (MCA'S) AND LIMITING NATIONAL SUBSIDIES. THE
DANISH GOVERNMENT, HOWEVER, HAS INDICATED THAT IT CONSIDERS
THE 3 PERCENT INCREASE PROPOSED A GOOD BASIS FOR NEGOTIATION.
THE FARM ORGANIZATIONS HAVE ALSO PETITIONED THE NEWLY-ELECTED
PARLIAMENT FOR HELP ON THE OFTEN-CITED PROBLEMS OF HIGH

INTEREST RATES AND FARMLAND TAXES INHIBITING DANISH AGRICULTURE AND PROPOSED TO IT MEASURES THAT COULD BE TAKEN AT THE NATIONAL LEVEL TO AID THE FARM SECTOR. END SUMMARY.

2. THE DANISH FARM VIEWS PRESENTED TO PARLIAMENTARY MARKETING COMMITTEE AND MINAG ON EC COMMISSION'S 1977/78 PRICE AND CORRELATED PROPOSALS IN SUMMARY ARE:

A. IN ORDER TO ACHIEVE DANISH OBJECTIVES OF INCREASING FOREIGN CURRENCY EARNINGS AND ASSURING MCA REDUCTION AND EVENTUAL DISCONTINUATION, FARM PRICE INCREASES SHOULD COMPENSATE FOR COST DEVELOPMENTS. ALTHOUGH DANISH FARM COST INFLATION WOULD JUSTIFY 11.3 PERCENT INCREASE, COPA'S 7.4 PERCENT PROPOSAL IS AN ACCEPTABLE AND REALISTIC BASIS FOR NEGOTIATION. INCREASE SUBSTANTIALLY BELOW THIS LEVEL WOULD DETERIORATE FARM INCOME AND ADVERSELY AFFECT FUTURE PRODUCTION DEVELOPMENTS.

B. INCREASE SHOULD BE SUFFICIENT TO PROCURE WEST GERMAN ACCEPTANCE OF MCA ADJUSTMENT MECHANISM, WHICH IS CONSIDERED MOST UNLIKELY IF OUTCOME OF PRICE NEGOTIATIONS RESULTED IN ACTUAL PRICE DECREASES FOR GERMAN FARMERS. (MCA'S PAID ON GERMAN EXPORTS TO UK HAVE ENHANCED COMPETITIVE ABILITY AT EXPENSE OF DENMARK, DANES CLAIM.) ON OTHER HAND, THE INCREASE SHOULD NOT BE SO HIGH AS TO PRECLUDE ACCEPTANCE BY MEMBER GOVERNMENTS WHOSE FIRST PRIORITY IS CONTAINMENT OF CONSUMER PRICES AND WHOSE FARMERS COULD BE COMPENSATED AT NATIONAL LEVEL THROUGH DEVALUATION OF RESPECTIVE GREEN CURRENCIES.

C. CHANGES IN MCA CALCULATION METHOD FOR A SINGLE PRODUCT, SUCH AS UK PROPOSAL ON PORK, IS COMPLETELY UNACCEPTABLE TO UNCLASSIFIED

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DANES AND, IF NECESSARY, SHOULD BE SUBJECTED TO DANISH VETO.

D. DENMARK SHOULD WORK FOR IMPROVEMENT OF PRICE RELATIONSHIPS BETWEEN ANIMAL PRODUCTS AND GRAINS. FOR EXAMPLE, DENMARK SHOULD PUSH FOR INCREASE IN BASIS PRICE FOR PIGMEAT TO CORRESPOND TO THE PROPOSED HIGHER INCREASE IN THE MARKET PRICE FOR SEEDGRAINS (BARLEY) RATHER THAN TO BASE IT ON SMALLER INCREASE PROPOSED ON INTERVENTION PRICE OF FEEDGRAINS. ALTHOUGH SUCH INCREASE WOULD NOT IMMEDIATELY AFFECT CONSUMER PRICES OF PIGMEAT AS ACTUAL MARKET PRICES ARE HIGHER, IT WOULD GIVE INCENTIVE TO DESIRED EXPANSION IN HOG PRODUCTION.

E. IN REGARD TO DAIRY PRODUCTS, FREEZING OR REDUCTION OF MILK PRICE WOULD NOT HAVE APPRECIABLE EFFECT ON PRODUCTION LEVEL AND WOULD MAINLY HURT YOUNG, NEWLY-ESTABLISHED FARMERS. INSTEAD, DANISH ORGANIZATIONS RECOMMEND THAT THE STRUCTURAL DAIRY SURPLUS PROBLEM BE SOLVED THROUGH STRUCTURAL AND SOCIAL MEASURES. THEY THEREFORE SUPPORT COMMISSION'S PROPOSALS FOR PREMIUMS TO FARMERS FOR STOPPING MILK PRODUCTION AND FOR CONVERSION OF HERDS FROM MILK TO MEAT PRODUCTION.

F. DANISH AGRICULTURE IS WILLING TO HELP SOLVE SURPLUS DAIRY

PROBLEMS THROUGH CO-RESPONSIBILITY LEVY PROVIDED (1) LEVY IS CHARGED ON ALL MILK (INCLUDING THAT FROM HILL MFARMERS) AND DOES NOT EXCEED 2 PERCENT; (2) PRINCIPLES OF COMPENSATING FOR COST INCREASES IN ANNUAL FARM PRICE ADJUSTMENTS ARE NOT CHANGED; (3) COPA IS GIVEN CO-RESPONSIBILITY ON UTILIZATION OF GENERATED FUNDS FOR LIMITING PRODUCTION AND MARKET PROMOTION; AND (4) A GLOBAL FATS AND OILS POLICY IS INTRODUCED.

G. DECISION TO LIFT IMPORT BAN ON BEEF IMPORTS SHOULD BE POSTPONED UNTIL BETTER S/D BALANCE ACHIEVED TO AVOID FURTHER BUILD-UP OF INTERVENTION STOCKS.

3. DANISH GOVERNMENT VIEWS COMMISSION'S 3 PERCENT PROPOSAL MORE POSITIVELY AS NEGOTIATING BASIS THAN FARM ORGANIZATIONS. WHILE AGMIN DALSAGER FAVORS SMALL PRICE INCREASE, HE HAS STRESSED THAT CLOSER STUDY NEEDS TO BE MADE OF THE OTHER MEASURES SET FORTH AND STRESSES IMPOTANCE DENMARK CONTINUES TO ATTACH TO AGREEMENT ON AN MCA MECHANISM.

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4. DANISH DAIRY INDUSTRY IN PRINCIPLE SUPPORTS THE COMMISSIONS PROPOSED SPECIAL SUBSIDY PROGRAM FOR NFDN AND LIQUID SKIMMILK BUT WOULD LIKE TO SEE IT EXPANDED TO INCLUDE CALVES AS WELL AS HOGS. LIKEWISE THEY AGREE WITH PROPOSAL THAT SUBSIDIZED RETURN SKIMMILK TO FARMS BE BASED ON CONTRACTS BUT WANT THE CONTRACTED PERIOD REDUCED FROM 3 YEARS TO 3-5 MONTHS AND A FLEXIBLE MAXIMUM PRICE ARRANGEMENT ACCORDING TO SEASON.

5. IN AN EARLIER NOTE THE FARM ORGANIZATIONS DELIVERED TO THE NEWLY-ELECTED PARLIAMENT, PROBLEMS WERE CITED AT THE NATIONAL LEVEL THAT THEY CLAIM HHAVE LED TO THE STAGNATION IN LIVESTOCK PRODUCTION, SUCH AS HIGH INTEREST RATES DISCOURAGING INVESTMENTS AND HIGH LAND TAXES. IN RECOMMENDING GOVERNMENT MEASURES TO HELP AGRICULTURE IN THESE AREAS, THEY STATED THAT A 3 PERCENT INCREASE IN FARM PRODUCTION WOULD INCREASE FOREIGN EXCHANGE EARNINGS BY ABOUT 500 MILLION KRONER ANNUALLY AND CREATE JOBS FOR ABOUT 10,000 PERSONS IN THE BUILDING INDUSTRY AND IN FARM-RELATED SECTORS. THE GOVERNMENT HAS COMMITTED ITSELF TO CERTAIN ACTIONS IN THESE AREAS BUT IS AWAITING THE CONCLUSION OF A GOVERNMENT-COMMISSIONED REPORT BEFORE FORMULATING NEW LONG-TERM POLICIES FOR AGRICULTURE.

6. COMMENTS: THE DANES BASICALLY WOULD LIKE TO HOLD DOWN FARM PRICE INCREASES TO LOW LEVELS BUT REALIZE THAT OTHER MEMBERS MAY BLOCK ADOPTION OF MCA ADJUSTMENT MECHANISM AND COMPENSATE FARMERS AT NATIONAL LEVEL IF ADEQUATE INCREASES NOT GRANTED. ADJUSTMENT OF MCA'S AND AVOIDANCE OF NATIONAL ASSISTANCE BY OTHER MEMBERS ARE REGARDED AS BEING OF MORE VITAL IMPORTANCE TO DENMARK THAN SIZE OF MINIMUM PRICE INCREASES. THE CALL FOR A GLOBAL FATS AND OILS POLICY IS FIRST TIME A

DANISH FARM POSITION ON THIS ISSUE HAS BEEN CLEARLY STATED,
ALTHOUGH ALLUSION TO IT BY SOME FARM LEADERS HAS BEEN MADE
PREVIOUSLY.
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